



## INITIAL 2013-2015 DRAINAGE AND WASTEWATER RATE ISSUES<sup>1</sup>

*Libraries, Utilities and Center (LUC) Committee July 17, 2012*

### RATE STRUCTURE

1. **Pass-through.** Should King County treatment rate increases be included in the Council's description of the customer impacts of the current rate proposal, or should they be excluded as proposed by Seattle Public Utilities (SPU)?
2. **Rate growth policy.** *If the answer to A. is yes, then consider B.*
  - A. Should a policy be adopted that expresses Council expectations about future rate growth?
  - B. If a policy is adopted, should it be based on applying inflation indexes to SPU's costs, a program-by-program evaluation during this rate review to identify reasonable future rate growth, a strategic plan to be developed during the 3-year rate period, a cap on growth in the typical customer's combined bill, or other approaches?
3. **Cost allocation and pricing.** *Questions A., B., and C. can be answered independently.*
  - A. Should new drainage rate credits for riparian corridors, islands and floodplains be approved?
  - B. Should the method for calculating rates for large residential (>10,000 sq.ft.) customers be changed?

### SPENDING

4. **Program priorities and cost effectiveness.** *Questions A., B., and C. can be answered independently*
  - A. Are there lower priority or discretionary projects and programs the Council would like to eliminate so that high priority projects are adequately funded while moderating rate increases?
  - B. Are various programs and projects provided in the most cost-effective manner?
    1. Bottom up – evaluate individual programs during this rate review to identify potential savings.
    2. Top down – direct SPU to identify during this rate review how it would meet an efficiency cut target of \$X or Y%.
  - C. Should rates be changed to reflect changes in cost estimates (for items such as bond repayment or Central City services) that emerge after completion of the rate study?
5. **Workplace efficiencies.** *Questions A. and B. can be answered independently.*
  - A. Should Council ensure SPU follow-up on the recommendations identified in the May 2012 SPU workgroup's Workplace Efficiencies report by asking for annual reports on SPU's work in this area?
  - B. Are there ways Council can incentivize SPU to continue to work on bringing consultant work in-house if it is appropriate and cost effective by asking for annual reports on their work in this area?

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<sup>1</sup> Issues may be added or removed after the full set of SPU answers to Council questions has been received.

## FINANCIAL POLICIES

6. **Financial policy compliance.** The LUC Committee decided in early 2012 to retain current financial policies but does the Council agree with SPU's approach to meeting those policies?

## REVENUES AND DEMAND

7. **Demand forecast.** Are estimates of systemwide and household wastewater usage and the numbers of new customers too conservative?
8. **CIP accomplishment rate.** Is the CIP accomplishment rate too optimistic?
9. **Non-Rate Revenue.** Are estimates of non-rate revenues too low?
10. **Rate Discounts and Delinquency.** *Questions A., B., and C. can be answered independently.*
- A. Under a Utility Assistance Program Memorandum of Agreement with SPU and City Light, the Human Services Department (HSD) has agreed to streamline business processes and associated internal controls and procedures, strengthen outreach efforts, counsel people with high utility bill balances and refer utility assistance applicants to other benefit programs. Should HSD, SPU and City Light be asked to explore additional ways to strengthen the programs such as establishing longer enrollment periods to reduce administrative work for applicants and the City.
  - B. Should efforts be made to help customers avoid delinquent bills by:
    - Considering procedures to identify (and conduct outreach to) customers at risk for delinquent bills, and/or
    - Establishing alternating-month due dates for City Light and SPU bill payments.
  - C. Are revenue assumptions related to low-income discounts and rate credits for stormwater facilities, riparian areas, floodplains and islands too high or low, resulting in an undue amount of the revenue requirement shifted to other customers?